

SUPPLY CHAIN MANAGEMENT

E-COMMERCE Supply chain management


By

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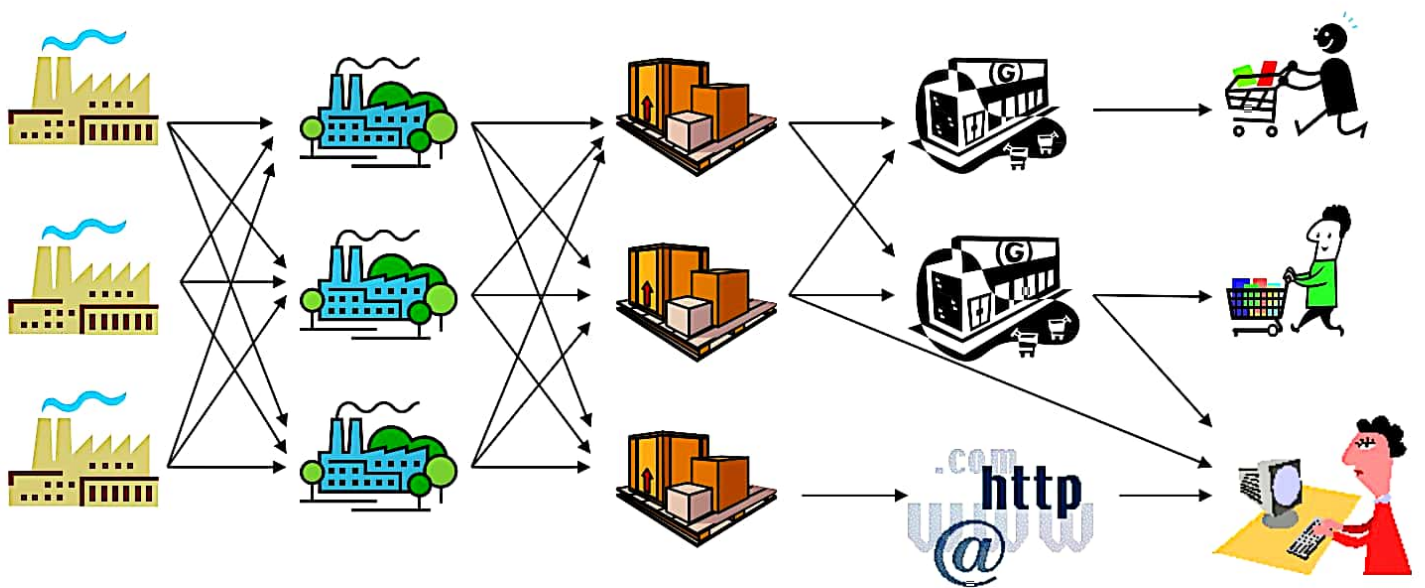
What is Supply Chain?



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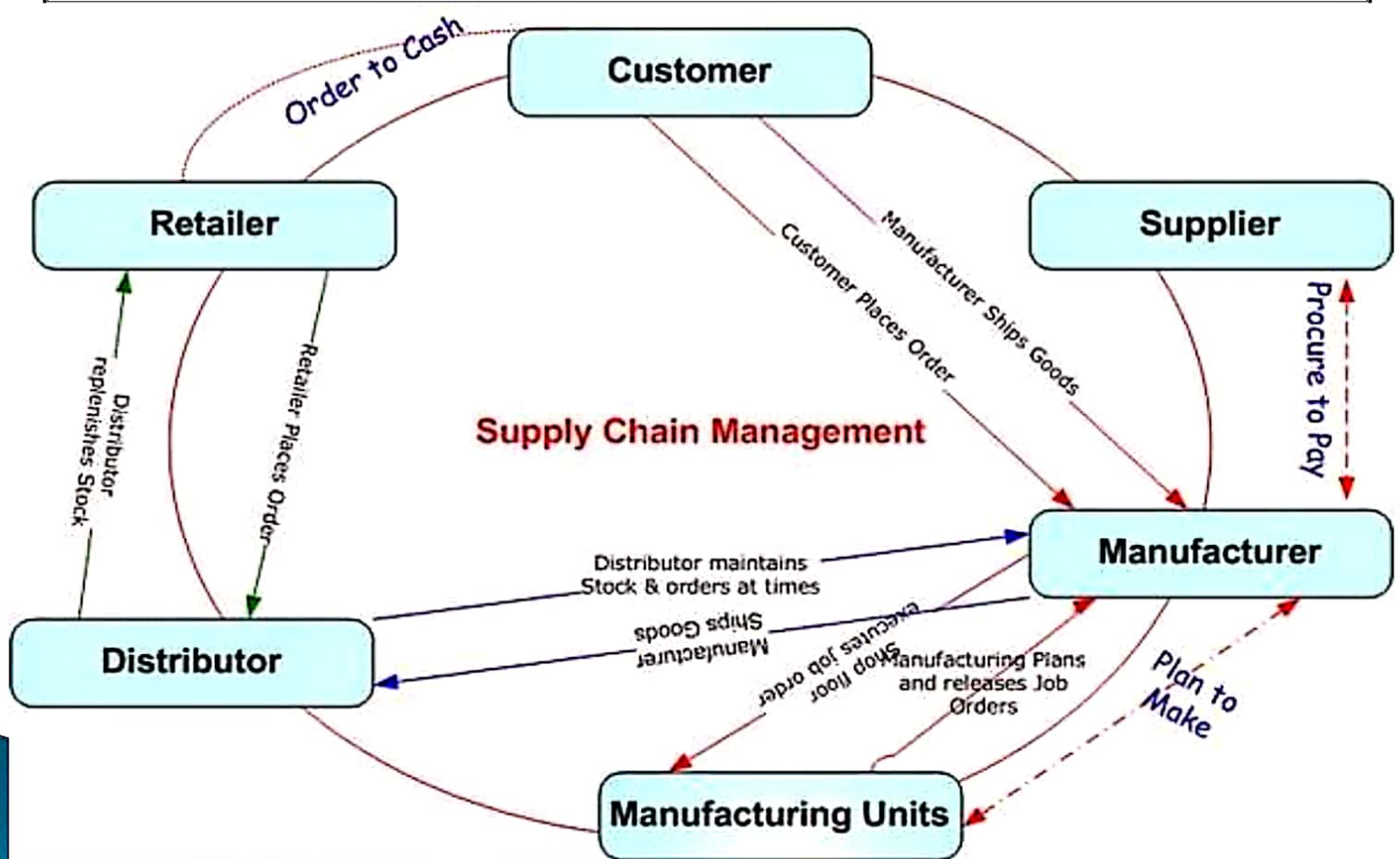
- ▶ **A supply chain is the system of organizations, people, activities, information and resources involved in moving a product or service from supplier to customer.**
 - ▶ **An integrated group of processes to “source,” “make,” and “deliver” products.**
 - ▶ **Supply chain activities transform raw materials and components into a finished product that is delivered to the end customer.**
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Supply Chain Illustration



Supplier → Manufacturer → Distributor → Retailer → Customers


Supply Chain Flow



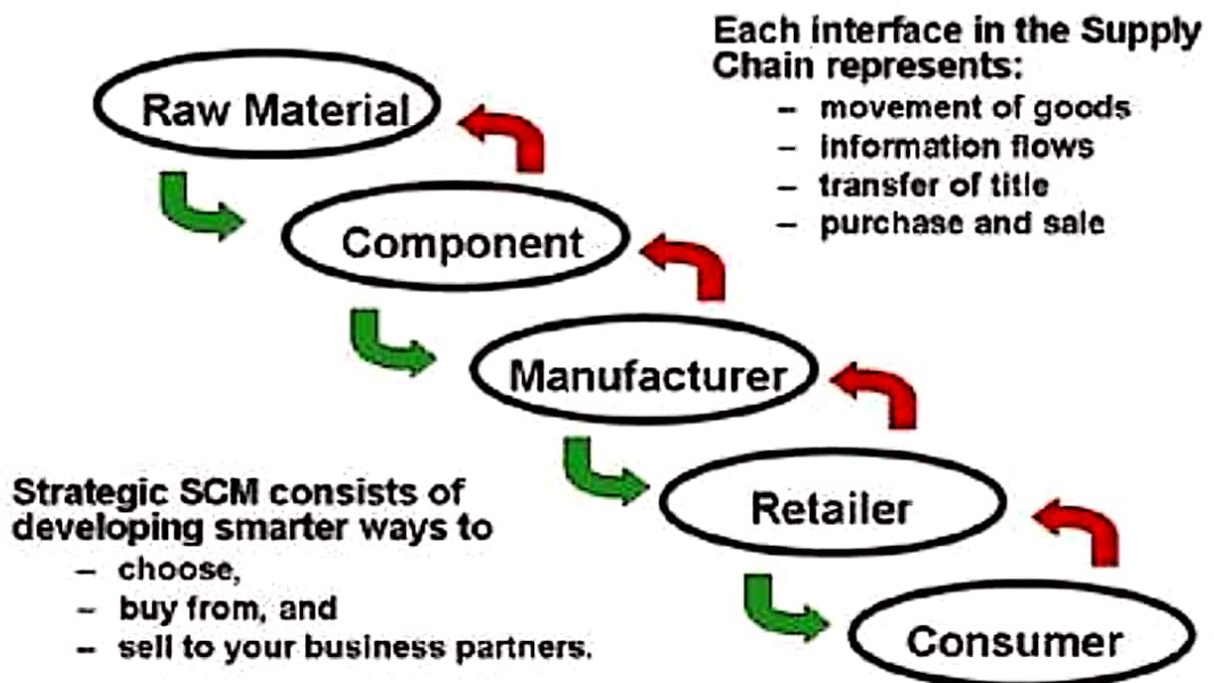
Meaning of SCM

- ▶ It is the process of planning, implementing and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible.
- ▶ Supply chain management manages all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of origin to point-of-consumption.

Definition of SCM

- ▶ *According to the Council of supply chain Management Professionals, Supply chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities.*
 - ▶ *Importantly, it also includes coordination and collaboration with channel partners, which can be supplier, intermediaries, third party service providers, and customers.*
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Key SCM Concepts



Supply Chain Goals

Efficient supply chain management must result in tangible business improvements. It is characterized by a sharp focus on

- Revenue growth
- Better asset utilization
- Cost reduction.



Different from Logistic Management

- ▶ **Some experts distinguish supply chain management and logistics management, while others consider the terms to be interchangeable.**
- ▶ **Logistic management can be termed as one of its part that is related to planning , implementing , and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption. But supply chain management includes more aspects apart from the logistics function.**

Opportunities enabled by SCM

Proper implementation of SCM helps to use the following strategic areas to their full advantage:

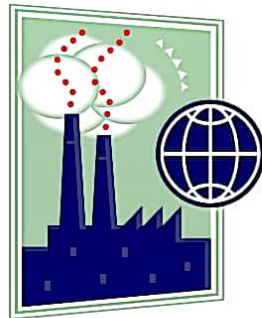
1. **Fulfillment:-**

- a) Ensure the right quantity at the right time.
- b) It makes sure that the right quantities are ordered.

2. **Logistics:**

- a) Keep the cost of transporting materials as low as possible consistent with safe and reliable delivery.
- b) Constant contact with its distribution team.





3. Production:

Ensure production lines function smoothly.

4.Reduced Cost of

- a. Inventory carrying cost
- b. Internal and external failure cost
- c. Purchase cost

5. Revenue & Profit

No Sales are lost and flexible to respond unforeseen changes



Implementation: Points to keep in mind

- **Recognize the difficulty of change.**
- **Prepare a blueprint for change that maps linkages among initiatives.**
- **Assess the entire supply chain from supplier relationships to internal operations to the market place, including customers, competitors and industry as a whole.**

SUPPLY CHAIN Levels

Strategic

**Supply Chain Design
Resource Acquisition
Long Term Planning (1 Year ++)**

Tactical

**Production/ Distribution Planning
Resource Allocation
Medium Term Planning (Qtrly,Monthly)**

Operational

**Production Scheduling
Resource Scheduling
Performance tracking
Short Term Planning (Weekly,Daily)**

Problems faced by supply chain Management

Issue	Details
Distribution network configuration	Number and location of suppliers, production facilities, distribution centers, warehouses and customers
Distribution strategy	Centralized versus decentralized, direct shipment, pull or push strategy
Information	Integrate system and processes though the supply chin to share valuable information, including demand signals, forecast
Inventory management	Quantity and location of inventory including raw materials, work in process and finished goods.

Bullwhip Effect

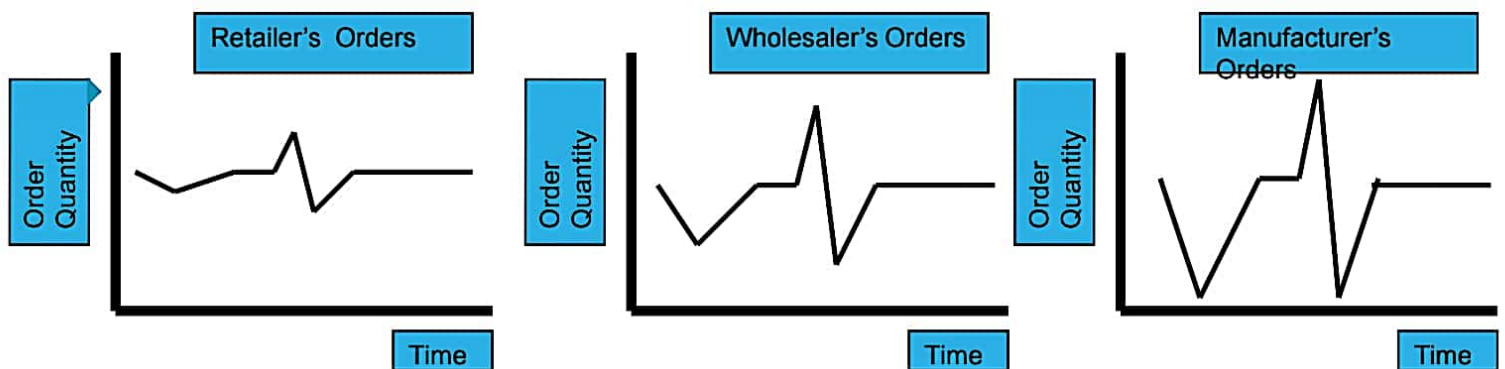
- ▶ **Meaning:** The Bullwhip effect or Whiplash effect is an observed phenomenon in forecast-driven distribution channels.
- ▶ Because customer demand is rarely perfectly stable, businesses must forecast demand in order to properly position inventory and other resources. Forecast are based on rarely perfectly accurate statistics.

Factors Contributing Bullwhip Effect

- **Forecast Errors**
- **Lead Time Variability**
- **Batch Ordering**
- **Price Fluctuations**
- **Product Promotions**
- **Inflated Orders**
- **Methods Intended to reduce
Uncertainty, variability, and lead time i.e., Just in
time replenishment and strategic partnership**

Inventory: Bullwhip Effect

The magnification of variability in orders in the supply-chain.



A lot of retailers each with little variability in their orders....

...can lead to greater variability for a fewer number of wholesalers, and...

...can lead to even greater variability for a single manufacturer.